

Planning by	Reviewed	Performed by	Final review

[Handwritten signatures and scribbles over the table and to the right]



West Rand Development Agency
(Registration number 2005/005372/07)
Annual Financial Statements
for the year ended 30 June 2018

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipal entity
Directors	Z. Mphaphuli (Acting Chief Executive Officer) T. Mokale (Chairperson of the board committee) L. Mpambani (Chairperson of Audit, Finance & Risk Committee) E. Mokhine (Chairperson of Human Resources & Remuneration Committee) B. Friedman (Chairperson of Economic Development & Investment Committee) P. Nodada (Chairperson of Projects & Procurement Committee) L. Hibbert (Non-Executive Director) M. Mohlakoana (Non-Executive Director) J.E. Sloan (Non-Executive Director) G. Sebola (Non-Executive Director) N.D. Ndlovu (Non-Executive Director)- Resigned
Alternate Directors	L. Brits (Member of sub-committee) A. Asvat (Member of sub-committee) M. Gaofane (Member of sub-committee) A. Masiu (Member of sub-committee) P. Jacobs (Member of sub-committee)- Resigned W. Myburgh (Member of sub-committee)- Resigned
Registered office	22 Stubbs Street Randfontein 1760
Business address	25 Boshoff street Krugersdorp 1740
Bankers	Standard Bank of South Africa
Auditors	Auditor General - South Africa
Company registration number	2005/005372/07
Tax reference number	9267870153

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Board's Responsibilities and Approval	3
Audit Committee Report	4
Director's Report	5 - 8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Statement of Comparison of Budget and Actual Amounts	13 - 15
Appropriation Statement	16 - 18
Accounting Policies	19 - 34
Notes to the Annual Financial Statements	35 - 48

MBRR	Municipal Budget and Reporting regulations
MPAC	Municipal Public accounts committee
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
GGDA	Gauteng Growth and Development Agency
IAS	International Accounting Standards
GIFA	Gauteng Infrastructure Financing Agency
GDARD	Gauteng Department of Agriculture and rural development
ME's	Municipal Entities
MMC	Member of the Mayoral committee
MFMA	Municipal Finance Management Act
IDC	Industrial Development Corporation
CIGFARO	Chartered Institute of Government Financial, Audit and Risk officers
IFRS	International Financial Reporting Standards
WRDM	West Rand District Municipality

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Board's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP)

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The entity is wholly dependent on the West Rand District Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the West Rand District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 47, which have been prepared on the going concern basis, were approved by the board on 31 August 2018 and were signed by:


T. Mokale (Chairperson of the board committee)

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 3 times per annum as per its approved terms of reference. During the current year four (4) number of meetings were held.

L. Mpambani (Chairperson)	4
G. Masobe (Member)	4
W. Myburgh (Member) (resigned)	1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the board;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Director's Report

The directors submit their report for the year ended 30 June 2018.

1. Incorporation

The entity was incorporated on 17 February 2005 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 30 June 2018, the entity had an accumulated surplus (deficit) of R (2,726,209) and that the entity's total assets exceed its liabilities by R 11,852,319.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity and that the service delivery agreement held with West Rand District Municipality will remain in force for so long as it takes to restore the solvency of the entity.

4. Subsequent events

The directors have taken all events, matters and /or circumstances arising after year end in preparing and presenting the annual financial statements.

5. Directors' interest in contracts

The director's did not have interest in any contracts of the WRDA.

6. Accounting policies

The annual financial statements prepared in accordance prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

The share premium of R14 578 428 arose in 2008 when 100 ordinary shares with a par value of R1 per share were subscribed for at a value of R14,578,528 represented by the transfer of assets by WRDM to WRDA.

8. Board

The directors of the entity during the year and to the date of this report are as follows:

Name

Z. Mphaphuli (Acting Chief Executive Officer)
T. Mokale (Chairperson of the board committee)
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)
E. Mokhele (Chairperson of Human Resources & Remuneration Committee)
B. Friedman (Chairperson of Economic Development & Investment Committee)
P. Nodada (Chairperson of Projects & Procurement Committee)

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Director's Report

L. Hibbert (Non-Executive Director)

M. Mohlakoana (Non-Executive Director)

J.E. Sloan (Non-Executive Director)

G. Sebola (Non-Executive Director)

N.D. Ndlovu (Non-Executive Director)- Resigned

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Director's Report

9. Board Member and Executive Managers Emoluments

Whole owned subsidiary

	Salary	Acting allowance	Board fee	Total package 2018	Total package 2017
Non-Executive Members					
T. Mokale (Chairperson of the board committee)	-	-	60,500	60,500	22,000
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)	-	-	57,000	57,000	13,500
E. Mokhele (Chairperson of Human Resources & Remuneration Committee)	-	-	73,500	73,500	13,500
B. Friedman (Chairperson of Economic Development & Investment Committee)	-	-	98,000	98,000	13,500
L. Hibbert (Non-Executive Director)	-	-	73,000	73,000	13,500
N.D. Ndlovu (Non-Executive Director)	-	-	9,000	9,000	9,000
J. Mhlokoana (Non-Executive Director)	-	-	27,000	27,000	13,500
J. Sloan (Non-Executive Director)	-	-	90,500	90,500	4,500
W. Myburgh (Member of subcommittee)	-	-	9,000	9,000	9,000
A. Masiu (Member of subcommittee)	-	-	54,000	54,000	9,000
L. Brits (Member of subcommittee)	-	-	24,000	24,000	9,000
G. Masobe (Member of subcommittee)	-	-	15,000	15,000	3,000
A. Asvat (Member of subcommittee)	-	-	6,000	6,000	3,000
S. Mohapi (Former Chairperson of the board committee)	-	-	-	-	10,500
C. Venter (Former Chairperson of Human Resources and Remuneration committee)	-	-	-	-	2,500
M. Ramagaga (Former Chairperson of Audit, Finance and Risk Management)	-	-	-	-	7,500
Q. Nkosi (Former Non-executive Director)	-	-	-	-	4,250
N.M. Ramodibe (Former Non-executive Director)	-	-	-	-	4,250
D. Don-Pierrot (Former Non-executive Director)	-	-	-	-	4,250
N.B. Ndlovu (Former Non-executive Director)	-	-	-	-	2,500
	-	-	596,500	596,500	171,750
Executive Managers					
M. Gaffane (Chief Executive Officer)	504,799	-	-	504,799	1,719,718
Z. Mphaphuli (Acting Chief Executive Officer)	-	433,494	-	433,494	-

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Director's Report

10. Corporate governance

General

The board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The board discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors as defined in the Code; and
 - executive directors.
- has established a Board directorship continuity programme.

Chairperson and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer who is the only executive director of the entity, is determined by the WRDM, and the board will determine the remuneration within the above mentioned limits.

Board meetings

The board has met on 4 separate occasions during the financial year. The board schedules to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the entity.

Audit and risk committee

In terms of Section 166 of the Municipal Finance Management Act, WRDM, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee.

Internal audit

The entity makes use of the internal audit function of WRDM. This is in compliance with the Municipal Finance Management Act, 2003.

11. Bankers

The WRDA primarily banks with Standard Bank of Southern Africa.

12. Auditors

Auditor General - South Africa will continue in office for the next financial period.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Other receivables	2	5,260,125	-
Cash and cash equivalents	3	2,099,502	108,503
		7,359,627	108,503
Non-Current Assets			
Property, plant and equipment	4	12,879,255	14,826,187
Intangible assets	5	61	17,930
		12,879,316	14,844,117
Total Assets		20,238,943	14,952,620
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	1,832,917	1,875,920
VAT payable	8	4,553,707	4,106,304
Unspent conditional grants and receipts	9	2,000,000	-
		8,386,624	5,982,224
Total Liabilities		8,386,624	5,982,224
Net Assets		11,852,319	8,970,396
Share capital / contributed capital	10	14,578,528	14,578,528
Accumulated deficit		(2,726,209)	(5,608,132)
Total Net Assets		11,852,319	8,970,396

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	12	238,633	328,695
Gain on disposal of assets and liabilities	13	3,612,132	-
Total revenue from exchange transactions		3,850,765	328,695
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	3,859,649	5,754,561
Total revenue	11	7,710,414	6,083,256
Expenditure			
Employee related costs	15	(2,539,138)	(3,532,976)
Board remuneration	15	(596,500)	(171,750)
Depreciation and amortisation	16	(344,056)	(453,896)
Lease rentals on operating lease	17	(469,609)	(489,781)
Contracted services	18	(330,383)	(1,059,570)
Transfers	19	-	(1,630,833)
Loss on disposal of assets and liabilities	13	-	(4,221)
Operating costs	20	(548,804)	(519,921)
Total expenditure		(4,828,490)	(7,862,948)
Surplus (deficit) for the year		2,881,924	(1,779,692)

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

	Share capital / Share premium contributed capital		Total share capital	Accumulated deficit	Total net assets
Figures in Rand					
Balance at 01 July 2016	100	14,578,428	14,578,528	(3,828,440)	10,750,088
Changes in net assets					
Deficit for the year	-	-	-	(1,779,692)	(1,779,692)
Total changes	-	-	-	(1,779,692)	(1,779,692)
Opening balance as previously reported	100	14,578,428	14,578,528	(5,782,783)	8,795,745
Adjustments					
Prior year adjustments (refer to note 27)	-	-	-	174,650	174,650
Restated* Balance at 01 July 2017 as restated*	100	14,578,428	14,578,528	(5,608,133)	8,970,395
Changes in net assets					
Deficit for the year	-	-	-	2,881,924	2,881,924
Total changes	-	-	-	2,881,924	2,881,924
Balance at 30 June 2018	100	14,578,428	14,578,528	(2,726,209)	11,852,319
Note(s)	10	10	10		

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		238,633	595,857
Grants and subsidies		6,400,000	5,490,575
		6,638,633	6,086,432
Payments			
Employee costs		(3,393,558)	(3,904,631)
Suppliers of goods and services		(1,226,826)	(2,075,829)
		(4,620,384)	(5,980,460)
Net cash flows from operating activities	22	2,018,249	105,972
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(27,250)	-
Net increase/(decrease) in cash and cash equivalents		1,990,999	105,972
Cash and cash equivalents at the beginning of the year		108,503	2,531
Cash and cash equivalents at the end of the year	3	2,099,502	108,503

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rental of facilities and equipment	-	200,000	200,000	238,633	38,633	H
------------------------------------	---	---------	---------	---------	--------	---

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	4,394,200	-	4,394,200	3,859,649	(534,551)	D
-------------------------------	-----------	---	-----------	-----------	-----------	---

Total revenue	4,394,200	200,000	4,594,200	4,098,282	(495,918)	
----------------------	------------------	----------------	------------------	------------------	------------------	--

Expenditure

Personnel	(1,992,000)	(1,379,000)	(3,371,000)	(2,539,138)	831,862	A
Board remuneration	(400,000)	(200,000)	(600,000)	(596,500)	3,500	A
Depreciation and amortisation	-	(663,000)	(663,000)	(344,056)	318,944	B
Lease rentals on operating lease	-	(600,000)	(600,000)	(469,609)	130,391	C
Contracted Services	-	(700,000)	(700,000)	(330,383)	369,617	E
Operating costs	(2,002,200)	1,300,000	(702,200)	(548,804)	153,396	F

Total expenditure	(4,394,200)	(2,242,000)	(6,636,200)	(4,828,490)	1,807,710	
--------------------------	--------------------	--------------------	--------------------	--------------------	------------------	--

Operating deficit	-	(2,042,000)	(2,042,000)	(730,208)	1,311,792	
--------------------------	----------	--------------------	--------------------	------------------	------------------	--

Gain on disposal of assets and liabilities	-	3,237,000	3,237,000	3,612,132	375,132	B & G
--	---	-----------	-----------	-----------	---------	-------

Surplus before taxation	-	1,195,000	1,195,000	2,881,924	1,686,924	
--------------------------------	----------	------------------	------------------	------------------	------------------	--

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	1,195,000	1,195,000	2,881,924	1,686,924	
--	----------	------------------	------------------	------------------	------------------	--

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	-	200,000	200,000	238,633	38,633	H
Grants	4,394,200	-	4,394,200	6,400,000	2,005,800	D
	4,394,200	200,000	4,594,200	6,638,633	2,044,433	

Payments

Employee costs	(2,392,000)	(1,579,000)	(3,971,000)	(3,393,558)	577,442	A
Suppliers	(2,002,200)	-	(2,002,200)	(1,226,826)	775,374	C, E, F
	(4,394,200)	(1,579,000)	(5,973,200)	(4,620,384)	1,352,816	

Net cash flows from operating activities	-	(1,379,000)	(1,379,000)	2,018,249	3,397,249	
---	----------	--------------------	--------------------	------------------	------------------	--

Cash flows from investing activities

Purchase of property, plant and equipment	-	-	-	(27,250)	(27,250)	I
Proceeds from sale of property, plant and equipment	-	5,260,125	5,260,125	-	(5,260,125)	G

Net cash flows from investing activities	-	5,260,125	5,260,125	(27,250)	(5,287,375)	
---	----------	------------------	------------------	-----------------	--------------------	--

Net increase/(decrease) in cash and cash equivalents	-	3,881,125	3,881,125	1,990,999	(1,890,126)	
--	---	-----------	-----------	-----------	-------------	--

Cash and cash equivalents at the beginning of the year	109,000	-	109,000	108,503	(497)	
--	---------	---	---------	---------	-------	--

Cash and cash equivalents at the end of the year	109,000	3,881,125	3,990,125	2,099,502	(1,890,623)	
---	----------------	------------------	------------------	------------------	--------------------	--

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Legends:

A- Under spending on personnel costs due to permanent CEO, financial manager, project manager and other key positions being vacant for more than 10 months. The entity presently has an acting CEO and WRDM staff assisting with financial management functions.

B- Under spending on depreciation due to the sale of Katlego Facilities on October 2017. The entity ceased to depreciate an asset when a decision was taken by WRDM council on 31 August 2017 to proceed with a sale.

C- Under spending on lease rentals due to management decision in moving to new premises with more affordable rentals by heeding to cost containment measures in terms of circular 82.

D- Government grants and subsidies on the statement of financial performance has decreased due to the portion of VAT output on WRDM subsidy which is directly taken to VAT control account..

Over collection on government grants and subsidies on statement of cash flow is due to additional R2 million transferred as a request to assist WRDM in operationalizing the Milling plant.

E- Under spending on contracted services due to cost saving on security cost since the entity moved to new premises. This has affected the cost of security to be less.

F- Under spending on various operational cost by implementation of circular 82. This affected the following costs:

- i) Municipal levies
- ii) Telephone costs
- iii) Training costs

G- Proceeds from the sale of Katlego facilities expected to be received prior to year-end was only received after year-end.

H- Donaldson dam gate takings were more than anticipated during the financial period.

I- The entity board grass cutters and a hoover based on operational demands.

West Rand Development Agency

(Registration number 2005/005372/07)
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Transfers recognised - operational	4,394,200	-	4,394,200	-	-	4,394,200	3,859,649		(534,551)	88 %	88 %
Other own revenue	-	3,437,000	3,437,000	-	-	3,437,000	3,850,765		413,765	112 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	4,394,200	3,437,000	7,831,200	-	-	7,831,200	7,710,414		(120,786)	98 %	175 %
Employee costs	(1,992,000)	(1,379,000)	(3,371,000)	-	-	(3,371,000)	(2,539,138)	-	831,862	75 %	127 %
Board remuneration	(400,000)	(200,000)	(600,000)	-	-	(600,000)	(596,500)	-	3,500	99 %	149 %
Depreciation and asset impairment	-	(663,000)	(663,000)	-	-	(663,000)	(344,056)	-	318,944	52 %	DIV/0 %
Other expenditure	(2,002,200)	-	(2,002,200)	-	-	(2,002,200)	(1,348,796)	-	653,404	67 %	67 %
Total expenditure	(4,394,200)	(2,242,000)	(6,636,200)	-	-	(6,636,200)	(4,828,490)	-	1,807,710	73 %	110 %
Surplus/(Deficit)	-	1,195,000	1,195,000	-	-	1,195,000	2,881,924		1,686,924	241 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	-	1,195,000	1,195,000	-	-	1,195,000	2,881,924		1,686,924	241 %	DIV/0 %
Surplus/(Deficit) for the year	-	1,195,000	1,195,000	-	-	1,195,000	2,881,924		1,686,924	241 %	DIV/0 %

West Rand Development Agency

(Registration number 2005/005372/07)
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	-	(1,379,000)	(1,379,000)	-	-	(1,379,000)	2,018,249		3,397,249	(146)%	100 %
Net cash from (used) investing	-	5,260,125	5,260,125	-	-	5,260,125	(27,250)		(5,287,375)	(1)%	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	3,881,125	3,881,125	-	-	3,881,125	1,990,999		(1,890,126)	51 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	108,503		108,503	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	3,881,125	3,881,125	-	-	3,881,125	2,099,502		1,781,623	54 %	DIV/0 %

West Rand Development Agency

(Registration number 2005/005372/07)
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated recovered audited outcome
2017			
Financial Performance			
Transfers recognised - operational			5,754,561
Other own revenue			328,695
Total revenue (excluding capital transfers and contributions)			6,083,256
Employee costs	-	-	(3,532,976)
Remuneration of councillors	-	-	(171,750)
Depreciation and asset impairment	-	-	(453,896)
Transfers and grants	-	-	(1,630,833)
Other expenditure	-	-	(2,073,493)
Total expenditure	-	-	(7,862,948)
Surplus/(Deficit)			(1,779,692)
Surplus/(Deficit) for the year			(1,779,692)
Cash flows			
Net cash from (used) operating			105,972
Net cash from (used) investing			-
Net increase/(decrease) in cash and cash equivalents			105,972
Cash and cash equivalents at the beginning of the year			2,531
Cash and cash equivalents at year end			108,503

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The entity has complied with Municipal standard chart of accounts (mSCOA) in terms of mSCOA regulations. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code. All municipalities and municipal entities were expected to comply from the 1st July 2017.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Transfer of functions between entities under common control

Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Transfer of functions between entities under common control (continued)

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the entity and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the entity derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the entity continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the entity measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	30
Plant and machinery	Straight line	4 - 15
Furniture and fixtures	Straight line	4 - 18
Office equipment	Straight line	10
IT equipment	Straight line	5 - 17
Security	Straight line	10 - 25
Roads	Straight line	20
Emergency Equipment	Straight line	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	3-5 years

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade payables	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.13 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue realised from the rental of facilities and premises is accounted for using the bank statement.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Grants and subsidies in-kind

Grants and subsidies in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

1.21 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.21 Budget information (continued)

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/06/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.23 Events after reporting date (continued)

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

2. Other receivables

Other receivables relates to proceeds from the sale of Katlego facilities amounting to R5,260,125.

Accrued income	5,260,125	-
----------------	-----------	---

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	695	35
Bank balances	2,097,124	106,785
Short-term deposits	1,683	1,683
Total	2,099,502	108,503

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Standard Bank - Current account	2,097,124	106,785	813	2,097,124	106,785	813
Standard Bank - Call account	1,683	1,683	1,683	1,683	1,683	1,683
Petty cash	-	-	-	695	35	-
Total	2,098,807	108,468	2,496	2,099,502	108,503	2,496

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10,693,880	-	10,693,880	10,693,880	-	10,693,880
Buildings ^	6,106,900	(5,263,846)	843,054	12,798,433	(10,956,062)	1,842,371
Plant and machinery ^	234,240	(191,577)	42,663	927,741	(627,490)	300,251
Furniture and fixtures	516,860	(395,011)	121,849	516,859	(310,440)	206,419
IT equipment	283,635	(267,478)	16,157	283,635	(208,098)	75,537
Other Assets	3,972,545	(3,167,911)	804,634	3,972,545	(3,100,251)	872,294
Leased Assets	88,164	(88,164)	-	88,164	(88,164)	-
Roads ^	1,683,600	(1,367,853)	315,747	3,980,918	(3,189,424)	791,494
Electrical reticulation	325,590	(284,319)	41,271	325,591	(281,650)	43,941
Total	23,905,414	(11,026,159)	12,879,255	33,587,766	(18,761,579)	14,826,187

West Rand Development Agency

(Registration number 2005/005372/07)
Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	10,693,880	-	-	-	10,693,880
Buildings	1,842,371	-	(959,436)	(39,881)	843,054
Plant and machinery	300,251	27,250	(238,573)	(46,265)	42,663
Furniture and fixtures	206,419	-	-	(84,570)	121,849
IT equipment	75,537	-	-	(59,380)	16,157
Other Assets	872,294	-	-	(67,660)	804,634
Roads	791,494	-	(449,984)	(25,763)	315,747
Electrical Reticulation	43,941	-	-	(2,670)	41,271
	14,826,187	27,250	(1,647,993)	(326,189)	12,879,255

Reconciliation of property, plant and equipment - 2017

	Opening balance	Disposals	Transfers	Depreciation	Total
Land	10,693,880	-	-	-	10,693,880
Buildings	3,581,071	1	(1,667,898)	(70,803)	1,842,371
Plant and machinery	391,534	-	-	(91,283)	300,251
Furniture and fixtures	261,685	-	-	(55,266)	206,419
IT equipment	200,620	(4,221)	-	(120,862)	75,537
Other Assets	880,945	-	37,065	(45,716)	872,294
Roads	840,920	-	-	(49,426)	791,494
Electrical Reticulation	46,609	-	-	(2,668)	43,941
	16,897,264	(4,220)	(1,630,833)	(436,024)	14,826,187

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

4. Property, plant and equipment (continued)

^ A decision was taken by Council of the parent municipality on 31 August 2017 for the Directors to proceed with the disposal of Katlego Facilities. On that date these assets were classified as non-current assets held for sale. These assets were then sold to Kretsmar Estates cc trading (Rhino and Lion) on 16 October 2017 at the fair value of R5,260,125. On the date of sale these assets had a carrying value amounting to R1,647,993.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	111,815	(111,754)	61	111,815	(93,885)	17,930

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	17,930	(17,869)	61

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	35,799	(17,869)	17,930

6. Deferred tax

Deferred tax liability

Deferred tax asset

Reconciliation of deferred tax asset \ (liability)

At beginning of year	-	-
Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance	(737,735)	236,213
Increases (decrease) in valuation allowance of deferred tax asset	737,735	(236,213)
	-	-

Make up of Deferred Taxation Balance 2018

	Balance at the beginning of year	Charge/(credit) for the year	Balance at end of year
Property, plant and Equipment	304,712	(1,017,360)	(712,648)
Provision for leave pay	(68,499)	43,412	(25,087)
Estimated tax loss utilised	(236,213)	973,948	737,735
	-	-	-

Make up of Deferred Taxation Balance 2017

	Balance at the beginning of year	Charge/(credit) for the year	Balance at end of year
2016			
Property, plant and Equipment	58,829	245,883	304,712
Provision for leave pay	(85,590)	17,091	(68,499)
Estimated tax loss utilised	26,761	(262,974)	(236,213)
	-	-	-

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
7. Payables from exchange transactions		
Trade payables	1,743,322	1,528,404
Leave pay provision	89,595	244,638
Other payables	-	102,878
	1,832,917	1,875,920

8. VAT payable

VAT payables	4,553,707	4,106,304
--------------	-----------	-----------

The total vat payable balance at year end comprise of the following:-

Vat on Subsidies from WRDM	5,296,894	4,747,344
Other VAT on income and expenses	(743,187)	(641,040)
	4,553,707	4,106,304

The VAT liability on the WRDM subsidies has been determined in terms of Section 8(5) of the VAT Act.

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Gauteng Department of Agriculture And Rural Development	2,000,000	-

Movement during the year

Balance at the beginning of the year	-	-
Additions during the year	2,000,000	-
Income recognition during the year	-	-
	2,000,000	-

This grant was received on 08 May 2018 and the entity could not spend the funds prior to year-end due to procurement processes which still need to be followed.

See note 14 for reconciliation of grants and subsidies.

10. Share capital / contributed capital

Issued		
Ordinary	100	100
Share premium	14,578,428	14,578,428
	14,578,528	14,578,528

The share premium comprises the equity contribution by the WRDM when assets were transferred on establishment of WRDA.

The assets transferred were identified during transitional provision application of GRAP 17 and Directive 4. The value of the assets was correctly accounted for in accordance with Directive 7: The application of deemed cost on the adoption of standards of GRAP.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

11. Revenue

Rental of facilities and equipment	238,633	328,695
Government grants & subsidies	3,859,649	5,754,561
	4,098,282	6,083,256

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	238,633	328,695
------------------------------------	---------	---------

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	3,859,649	5,754,561

12. Rental of facilities and equipment

Premises		
Premises	89,349	34,752
Facilities and equipment		
Rental of facilities	149,284	293,943
	238,633	328,695

Revenue on rentals of facilities and premises is accounted for based on the bank statements.

13. Gain (loss) on disposal of assets and liabilities

Profit/ (loss) on sale of asset is calculated as follows:

Carrying amount of assets at the date of sale	(1,647,993)	-
Carrying amount of asset at the date of a loss	-	(4,221)
Proceeds for sale of assets	5,260,125	-
	3,612,132	(4,221)

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
14. Government grants and subsidies		
Operating grants		
Net WRDM contribution	3,859,649	3,854,561
IDC Grant	-	1,900,000
	3,859,649	5,754,561
Conditional and Unconditional		
WRDM Contribution: Monetary	4,400,000	3,590,575
WRDM Contribution: In-kind	-	704,934
Less: Vat output	(540,351)	(440,948)
IDC Grant	-	1,900,000
	3,859,649	5,754,561
Unconditional grants received	3,859,649	5,754,561
Gauteng Department of Agriculture And Rural Development		
Balance unspent at beginning of year	-	-
Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	-	-
	2,000,000	-
Conditions still to be met - remain liabilities (see note 9).		
This grant is utilised to operationalise the Milling plant. Funds were received on 08 May 2018 and the entity could not spend the funds prior to year-end due to procurement processes which still need to be followed.		
Reconciliation of WRDM grant/ subsidy		
Gross WRDM contribution: Monetary	4,408,068	3,590,575
Net WRDM contribution: In-kind	-	704,934
Less VAT output	(548,419)	(440,948)
	3,859,649	3,854,561

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
15. Employee related costs		
Basic	1,601,792	3,232,240
Leave pay provision charge/ (savings)	36,534	5,416
Acting allowances	878,812	163,320
Car allowance	16,000	96,000
Cellphone allowance	6,000	36,000
	2,539,138	3,532,976

Remuneration of directors and executive managers

Board fees - non-executive directors	596,500	171,750
Basic salary and allowances - executive managers	938,293	1,719,718
	1,534,793	1,891,468

Included above is the remuneration to the CEO and non-executive directors, disclosed below. Further details of directors remuneration is set out on page 5.

Permanent CEO's contract (Mr M Gaffane) ended on 31 August 2017 and the acting CEO (Mr Z Mphaphuli) was appointed on 1 September 2017.

16. Depreciation and amortisation

Property, plant and equipment	326,187	436,027
Intangible assets	17,869	17,869
	344,056	453,896

17. Lease rentals on operating lease

Rental expense		
Premises - Contractual amounts	469,609	489,781

Rental expense is expected to decrease in the following year due to entity's decision in moving to new premises and the rental amount is affordable. Refer to the note 24 on operating lease commitments.

18. Contracted services

Outsourced Services		
Security Services	330,383	716,129
Consultants and Professional Services		
Business and Advisory	-	343,441
	330,383	1,059,570

19. Transfers

Transfer of Mohlakeng Buy-back centre	-	1,630,833
---------------------------------------	---	-----------

The entity capitalised the Mohlakeng Buy- back centre in 2015/2016 after it was completed. During the year this project has been handed over to Siphumelele Youth Organisation through Rand West City Local Municipality.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
20. Operating costs		
Advertising (1)	48,653	-
Auditors remuneration	329,452	313,069
Bank charges	10,236	9,519
Consumables	13,040	8,176
Entertainment	10,048	5,389
IT expenses (2)	25,260	-
Fuel and oil (3)	5,087	1,007
Printing and stationery	12,443	29,213
Telephone and fax	63,312	69,173
Training	-	40,602
Utilities	26,873	43,773
Statutory payments: Annual returns (4)	4,400	-
	548,804	519,921

(1) Advertisement cost relates to the advert which was made for CEO position and the advert made for the reinstatement of company as per CIPC processes.

(2) IT expenses relates to the removal of telephones when the entity relocated and installation of the telephones into new premises.

(3) Fuel and oil expense relates to fuel used by grass cutters machine at Donaldson dam.

(4) Annual returns expenditure relates to the filing of annual returns with CIPC which were long outstanding over past years.

21. Taxation

Major components of the tax expense

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus (deficit)	2,881,924	(1,779,692)
Tax at the applicable tax rate of 28% (2017: 28%)	806,939	(498,314)
Tax effect of adjustments on taxable income		
Utilised tax loss	(806,939)	-
Tax losses carried forward	-	498,314
	-	-

The entity had a capital sale during the 2017/2018 financial year and proceeds from the sale of assets were accrued. The base cost and recoupment on capital allowances were also taken into consideration in terms of the income tax Act.

Please refer to the deferred tax note 5.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
22. Cash generated from operations		
Surplus (deficit)	2,881,924	(1,779,692)
Adjustments for:		
Depreciation and amortisation	344,056	453,896
Loss /(gain) on sale of assets and liabilities	(3,612,132)	4,221
Transfer of Buy-back centre to Mohlakeng	-	1,630,834
Other non-cash items	1	-
Changes in working capital:		
Payables from exchange transactions	(43,003)	(831,392)
VAT	447,403	628,105
Unspent conditional grants and receipts	2,000,000	-
	2,018,249	105,972

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

23. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Cash and cash equivalents	2,099,502	2,099,502
Other receivables	5,260,125	5,260,125
	7,359,627	7,359,627

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,832,917	1,832,917
Unspent conditional grants and receipts	2,000,000	2,000,000
	3,832,917	3,832,917

2017

Financial assets

	At amortised cost	Total
Cash and cash equivalents	108,503	108,503

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,875,920	1,875,920

24. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due - within one year	180,000	335,920
---	---------	---------

Operating lease payments represent rentals payable by the entity for certain of its office properties in Krugersdorp over indefinite life. No contingent rent is payable.

25. Contingencies

Contingent liabilities

The Development Agency cannot reliably determine the amount of penalties or interest that would be payable to the Receiver of Revenue as a result of errors made in accounting for vat in prior years. The vat treatment has accordingly been reported and accounted for in prior year audited annual financial statements.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

26. Related parties

Relationships

Directors

Refer to directors' report note

Related party balances

Amounts included in Other receivable regarding related parties

West Rand District Municipality	5,260,125	-
---------------------------------	-----------	---

This balance relates to the sale of Katlego facilities. The sale was administered by WRDM on behalf of WRDA and the amount was paid after year-end.

Amounts included in Trade Payable regarding related parties

Rand West City Local Municipality	104,244	104,244
-----------------------------------	---------	---------

Related party transactions

Subsidy received from related parties

West Rand District Municipality	4,400,000	4,394,200
---------------------------------	-----------	-----------

Grants transferred from related parties to operationalise Milling plant

West Rand District Municipality	2,000,000	-
---------------------------------	-----------	---

27. Prior period restatements and errors

West Rand Development Agency compiled annual financial statements using the mSCOA version 6.1. This has an impact on classifications of balances and transaction. It has resulted in prior period restatement of affected classes of transactions as shown in the statement of financial performance.

The entity has restated the error identified in previous years on Property, plant and equipment, VAT payable and salary control account.

The restatement results in adjustments as follows:

Statement of Financial Performance (Income)	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
Rental of facilities and equipment	-	-	328,695	-	328,695
Other income	328,695	-	(328,695)	-	-
	328,695	-	-	-	328,695

Statement of Financial Performance (Expense)	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
Employee related costs	(3,704,726)	-	171,750	-	(3,532,976)
Board remuneration	-	-	(171,750)	-	(171,750)
Depreciation and asset impairment	(453,896)	-	-	-	(453,896)
Lease rentals (operating lease)	-	-	(489,781)	-	(489,781)
Transfers	(1,630,833)	-	-	-	(1,630,833)
Contracted services	-	-	(1,059,570)	-	(1,059,570)
General expenses	(2,069,272)	-	1,549,351	-	(519,921)
	(7,858,727)	-	-	-	(7,858,727)

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

27. Prior period restatements and errors (continued)

Statement of Financial Position	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
Cash and cash equivalents	108,503	-	-	-	108,503
Property, plant and equipment	14,832,217	-	-	(6,031)	14,826,186
Intangible assets	17,930	-	-	-	17,930
Payables from exchange transactions	(2,055,036)	-	-	179,116	(1,875,920)
VAT payable	(4,107,869)	-	-	1,565	(4,106,304)
Share capital / contributed capital	(14,578,528)	-	-	-	(14,578,528)
Accumulated surplus/ (deficit)	5,782,783	-	-	(174,650)	5,608,133
	-	-	-	-	-

28. Risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

29. Going concern

We draw attention to the fact that at 30 June 2018, the entity had an accumulated surplus (deficit) of R (2,726,209) and that the entity's total assets exceed its liabilities by R 11,852,319.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

30. Events after the reporting date

The entity received an amount of R5.2 million from WRDM with regards to the sale of Katlego facilities.

This assisted the entity with a positive cash flow, resulting in majority of outstanding creditors being paid subsequent to year-end.

31. Unauthorised expenditure

Add for the year- capital additions	27,250	-
-------------------------------------	--------	---

Unauthorised expenditure relates to the purchase of fixed assets relating to grass cutters which were not budgeted for.

32. Fruitless and wasteful expenditure

Opening balance	380,532	377,865
Add: for the year - SARS penalties and interest (a)	-	2,667
Add: for the year - CIPC penalties on filing annual returns (b)	1,050	-
	381,582	380,532

(a) The SARS penalties and interest relates to late payments of PAYE and VAT and interest charged thereon.

West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

32. Fruitless and wasteful expenditure (continued)

(b) The CIPC penalties relates to the late filing of annual company returns with Companies and Intellectual Property Commission (CIPC)

33. Irregular expenditure

Opening balance	214,940	214,940
-----------------	---------	---------

Analysis of expenditure awaiting condonation per age classification

Prior years	214,940	214,940
-------------	---------	---------

34. Additional disclosure in terms of Municipal Finance Management Act

Companies and Intellectual Property Commission

Opening balance	3,600	3,000
Current year subscription / fee	800	600
Amount paid - current year	(4,400)	-
	-	3,600

Payment to Companies and Intellectual Property Commission relates to the filing of annual returns which were outstanding in prior years.

Audit fees

Current year subscription / fee	375,126	313,069
Amount paid - current year	(375,093)	(313,069)
	33	-

PAYE and UIF

Opening balance	-	32,788
Current year PAYE & UIF	828,806	799,070
Amount paid - current year	(828,806)	(831,858)
	-	-

VAT

VAT payable	4,553,707	4,106,304
-------------	-----------	-----------

35. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.